



House of Representatives

General Assembly

File No. 515

January Session, 2011

House Bill No. 5782

House of Representatives, April 13, 2011

The Committee on Planning and Development reported through REP. GENTILE of the 104th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING THE HOTEL TAX.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subdivision (1) of section 12-408 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2011, and applicable to sales occurring on or after said date*):

4 (1) For the privilege of making any sales, as defined in subdivision
5 (2) of subsection (a) of section 12-407, at retail, in this state for a
6 consideration, a tax is hereby imposed on all retailers at the rate of six
7 per cent of the gross receipts of any retailer from the sale of all tangible
8 personal property sold at retail or from the rendering of any services
9 constituting a sale in accordance with subdivision (2) of subsection (a)
10 of section 12-407, except, in lieu of said rate of six per cent, (A) at a rate
11 of [twelve] fifteen per cent with respect to each transfer of occupancy,
12 from the total amount of rent received for such occupancy of any room
13 or rooms in a hotel or lodging house for the first period not exceeding
14 thirty consecutive calendar days, (B) with respect to the sale of a motor
15 vehicle to any individual who is a member of the armed forces of the

16 United States and is on full-time active duty in Connecticut and who is
17 considered, under 50 App USC 574, a resident of another state, or to
18 any such individual and the spouse thereof, at a rate of four and
19 one-half per cent of the gross receipts of any retailer from such sales,
20 provided such retailer requires and maintains a declaration by such
21 individual, prescribed as to form by the commissioner and bearing
22 notice to the effect that false statements made in such declaration are
23 punishable, or other evidence, satisfactory to the commissioner,
24 concerning the purchaser's state of residence under 50 App USC 574,
25 (C) (i) with respect to the sales of computer and data processing
26 services occurring on or after July 1, 1997, and prior to July 1, 1998, at
27 the rate of five per cent, on or after July 1, 1998, and prior to July 1,
28 1999, at the rate of four per cent, on or after July 1, 1999, and prior to
29 July 1, 2000, at the rate of three per cent, on or after July 1, 2000, and
30 prior to July 1, 2001, at the rate of two per cent, on or after July 1, 2001,
31 at the rate of one per cent, (ii) with respect to sales of Internet access
32 services, on and after July 1, 2001, such services shall be exempt from
33 such tax, (D) with respect to the sales of labor that is otherwise taxable
34 under subparagraph (C) or (G) of subdivision (2) of subsection (a) of
35 section 12-407 on existing vessels and repair or maintenance services
36 on vessels occurring on and after July 1, 1999, such services shall be
37 exempt from such tax, (E) with respect to patient care services for
38 which payment is received by the hospital on or after July 1, 1999, and
39 prior to July 1, 2001, at the rate of five and three-fourths per cent and
40 on and after July 1, 2001, such services shall be exempt from such tax.
41 The rate of tax imposed by this chapter shall be applicable to all retail
42 sales upon the effective date of such rate, except that a new rate which
43 represents an increase in the rate applicable to the sale shall not apply
44 to any sales transaction wherein a binding sales contract without an
45 escalator clause has been entered into prior to the effective date of the
46 new rate and delivery is made within ninety days after the effective
47 date of the new rate. For the purposes of payment of the tax imposed
48 under this section, any retailer of services taxable under subparagraph
49 (I) of subdivision (2) of subsection (a) of section 12-407, who computes
50 taxable income, for purposes of taxation under the Internal Revenue

51 Code of 1986, or any subsequent corresponding internal revenue code
52 of the United States, as from time to time amended, on an accounting
53 basis which recognizes only cash or other valuable consideration
54 actually received as income and who is liable for such tax only due to
55 the rendering of such services may make payments related to such tax
56 for the period during which such income is received, without penalty
57 or interest, without regard to when such service is rendered.

58 Sec. 2. Subdivision (1) of section 12-411 of the general statutes is
59 repealed and the following is substituted in lieu thereof (*Effective*
60 *October 1, 2011, and applicable to sales occurring on or after said date*):

61 (1) An excise tax is hereby imposed on the storage, acceptance,
62 consumption or any other use in this state of tangible personal
63 property purchased from any retailer for storage, acceptance,
64 consumption or any other use in this state, the acceptance or receipt of
65 any services constituting a sale in accordance with subdivision (2) of
66 subsection (a) of section 12-407, purchased from any retailer for
67 consumption or use in this state, or the storage, acceptance,
68 consumption or any other use in this state of tangible personal
69 property which has been manufactured, fabricated, assembled or
70 processed from materials by a person, either within or without this
71 state, for storage, acceptance, consumption or any other use by such
72 person in this state, to be measured by the sales price of materials, at
73 the rate of six per cent of the sales price of such property or services,
74 except, in lieu of said rate of six per cent, (A) at a rate of [twelve]
75 fifteen per cent of the rent paid for occupancy of any room or rooms in
76 a hotel or lodging house for the first period of not exceeding thirty
77 consecutive calendar days, (B) with respect to the storage, acceptance,
78 consumption or use in this state of a motor vehicle purchased from any
79 retailer for storage, acceptance, consumption or use in this state by any
80 individual who is a member of the armed forces of the United States
81 and is on full-time active duty in Connecticut and who is considered,
82 under 50 App USC 574, a resident of another state, or to any such
83 individual and the spouse of such individual at a rate of four and
84 one-half per cent of the sales price of such vehicle, provided such

85 retailer requires and maintains a declaration by such individual,
86 prescribed as to form by the commissioner and bearing notice to the
87 effect that false statements made in such declaration are punishable, or
88 other evidence, satisfactory to the commissioner, concerning the
89 purchaser's state of residence under 50 App USC 574, (C) with respect
90 to the acceptance or receipt in this state of labor that is otherwise
91 taxable under subparagraph (C) or (G) of subdivision (2) of subsection
92 (a) of section 12-407 on existing vessels and repair or maintenance
93 services on vessels occurring on and after July 1, 1999, such services
94 shall be exempt from such tax, (D) (i) with respect to the acceptance or
95 receipt in this state of computer and data processing services
96 purchased from any retailer for consumption or use in this state
97 occurring on or after July 1, 1997, and prior to July 1, 1998, at the rate
98 of five per cent of such services, on or after July 1, 1998, and prior to
99 July 1, 1999, at the rate of four per cent of such services, on or after July
100 1, 1999, and prior to July 1, 2000, at the rate of three per cent of such
101 services, on or after July 1, 2000, and prior to July 1, 2001, at the rate of
102 two per cent of such services, on and after July 1, 2001, at the rate of
103 one per cent of such services, and (ii) with respect to the acceptance or
104 receipt in this state of Internet access services, on or after July 1, 2001,
105 such services shall be exempt from tax, (E) with respect to the
106 acceptance or receipt in this state of patient care services purchased
107 from any retailer for consumption or use in this state for which
108 payment is received by the hospital on or after July 1, 1999, and prior
109 to July 1, 2001, at the rate of five and three-fourths per cent and on and
110 after July 1, 2001, such services shall be exempt from such tax.

111 Sec. 3. (NEW) (*Effective October 1, 2011*) The Commissioner of
112 Revenue Services shall segregate twenty per cent of the taxes collected
113 from sales within the meaning of subparagraph (H) of subdivision (2)
114 of subsection (a) of section 12-407 of the general statutes and
115 subparagraph (A) of subdivision (1) of section 12-411 of the general
116 statutes, as amended by this act, by any hotel or lodging house. Funds
117 segregated under this subsection shall be allocated as follows: (1) The
118 commissioner shall return one-third of such taxes segregated to the
119 municipality in which the hotel or lodging house paying such tax is

120 located; and (2) the commissioner shall deposit two-thirds of such
121 taxes segregated into the hotel tax account established in section 5 of
122 this act.

123 Sec. 4. (NEW) (*Effective October 1, 2011*) On April 1, 2012, and
124 annually thereafter, the Office of Policy and Management shall
125 distribute the moneys deposited in the hotel tax account established in
126 section 5 of this act as follows: (1) Fifty per cent of such moneys shall
127 be distributed to the tourism district in which the hotel or lodging
128 house paying the taxes segregated pursuant to section 3 of this act is
129 located; and (2) fifty per cent of such moneys shall be distributed to the
130 regional planning agency established pursuant to chapter 127 of the
131 general statutes in whose area of operation the hotel or lodging house
132 paying such segregated taxes is located, provided such regional
133 planning agency has conformed its geographical boundaries to be
134 coterminous with an economic development district designated by the
135 Governor pursuant to subsection (b) of section 32-743 of the general
136 statutes.

137 Sec. 5. (NEW) (*Effective October 1, 2011*) There is established an
138 account to be known as the "hotel tax account" which shall be a
139 separate, nonlapsing account within the General Fund. The account
140 shall contain any moneys required by law to be deposited in the
141 account. Moneys in the account shall be expended by the Office of
142 Policy and Management in accordance with section 4 of this act.

143 Sec. 6. Section 16a-4b of the general statutes is repealed and the
144 following is substituted in lieu thereof (*Effective October 1, 2011*):

145 Any town, city or borough [which] that has been included in any
146 planning region as designated or defined by the Secretary of the Office
147 of Policy and Management, or his predecessor, under the provisions of
148 subsection (4) of section 16a-4a, may petition, upon a vote of its
149 legislative body, the secretary for a redefinition or redesignation as
150 part of a different planning region. The secretary shall determine the
151 time and place for a hearing upon such petition and shall give notice
152 thereof, except that said secretary shall reject such petition if the

153 petitioner has been included in a planning region that is coterminous
154 with a designated economic development district pursuant to section
155 16a-4c, as amended by this act. In determining the appropriateness of
156 such redesignation, the secretary shall consider, among other factors,
157 whether or not the services that such petitioner needs can be better or
158 more logically provided by a planning region other than the one to
159 which it has been previously assigned.

160 Sec. 7. Section 16a-4c of the general statutes is repealed and the
161 following is substituted in lieu thereof (*Effective October 1, 2011*):

162 (a) The Secretary of the Office of Policy and Management shall
163 designate or redesignate the boundaries of planning regions so the
164 state contains eight such planning regions. To the extent that the
165 Governor has designated any economic development district pursuant
166 to subsection (b) of section 32-743, said secretary shall designate or
167 redesignate the planning region to be coterminous with the economic
168 development district.

169 ~~[(a)]~~ (b) On or before January 1, 2012, and at least every twenty
170 years thereafter, the Secretary of the Office of Policy and Management,
171 within available appropriations, shall conduct an analysis of the
172 boundaries of logical planning regions designated or redesignated
173 under section 16a-4a. As part of such analysis, the secretary shall
174 develop criteria to evaluate the impact of urban centers on neighboring
175 towns. Such criteria shall include, but not be limited to, criteria to (1)
176 evaluate trends in economic development and the environment,
177 including trends in housing patterns, employment levels, commuting
178 patterns for the most common job classifications in the state, traffic
179 patterns on major roadways, and local perceptions of social and
180 historic ties; and (2) establish a minimum size for logical planning
181 areas that takes into consideration the number of municipalities, total
182 population and the total square mileage.

183 ~~[(b)]~~ (c) (1) The secretary shall, not later than January 1, 2012, notify
184 the chief executive officer of each municipality located in a planning
185 region in which the boundaries are proposed for redesignation. If the

186 legislative body of the municipality objects to such proposed
187 redesignation, the chief executive officer of the municipality may, not
188 later than thirty days after the date of receipt of the notice of
189 redesignation, petition the secretary to attend a meeting of such
190 legislative body. The petition shall specify the location, date and time
191 of the meeting. The meeting shall be held not later than forty-five days
192 after the date of the petition. The secretary shall make a reasonable
193 attempt to appear at the meeting, or at a meeting on another date
194 within the forty-five-day period. If the secretary is unable to attend a
195 meeting within the forty-five-day period, the secretary and the chief
196 executive officer of the municipality shall jointly schedule a date and
197 time for the meeting, provided such meeting shall be held not later
198 than one hundred twenty days after the date of the notice to the chief
199 executive officer. At such meeting, the legislative body of the
200 municipality shall inform the secretary of the objections to the
201 proposed redesignation of the planning area boundaries. The secretary
202 shall consider fully the oral and written objections of the legislative
203 body and may redesignate the boundaries, except that said secretary
204 shall not redesignate such boundaries if such planning area is
205 coterminous with a designated economic development district
206 pursuant to subsection (a) of this section. Not later than forty-five days
207 after the date of the meeting, the secretary shall notify the chief
208 executive officer of the determination concerning the proposed
209 redesignation. The notice of determination shall include the reasons for
210 such determination. As used in this subsection, "municipality" means a
211 town, city or consolidated town and borough; "legislative body" means
212 the board of selectmen, town council, city council, board of alderman,
213 board of directors, board of representatives or board of the major and
214 burgesses of a municipality; and "secretary" means the secretary or the
215 designee of the secretary.

216 (2) Any revision to the boundaries of a planning area, based on the
217 analysis completed pursuant to subsection [(a)] (b) of this section or
218 due to a modification by the secretary in accordance with this
219 subsection, shall be effective on the first day of July following the date
220 of completion such analysis or modification.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>October 1, 2011, and applicable to sales occurring on or after said date</i>	12-408(1)
Sec. 2	<i>October 1, 2011, and applicable to sales occurring on or after said date</i>	12-411(1)
Sec. 3	<i>October 1, 2011</i>	New section
Sec. 4	<i>October 1, 2011</i>	New section
Sec. 5	<i>October 1, 2011</i>	New section
Sec. 6	<i>October 1, 2011</i>	16a-4b
Sec. 7	<i>October 1, 2011</i>	16a-4c

PD *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 12 \$	FY 13 \$
Department of Revenue Services	GF - Revenue Gain	14.17 million	19.75 million
Department of Revenue Services	GF - Cost	45,000	None

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 12 \$	FY 13 \$
Various Municipalities	See Below	3.15 million	6.58 million

Explanation

The bill increases from 12% to 15% the hotel occupancy tax, and establishes a mechanism to dedicate a portion of hotel occupancy receipts to municipalities, regional tourism districts, and regional planning agencies (RPAs). This would result in a revenue gain of \$14.17 million in FY 12 and \$19.75 million in FY 13, and a cost of \$45,000 to the Department of Revenue Services (DRS) in FY 12.

Under the bill, twenty percent of hotel occupancy tax revenues are transferred to municipalities and to a dedicated hotel tax account. While collections under the occupancy tax will be at the increased 15% rate beginning in October 2011, it is anticipated that there will be a 3-month lag between the collection of funds and distribution by DRS to municipalities and the hotel tax account. As such, the bill results in a transfer of \$9.45 million in FY 12 and \$19.75 million in FY 13 to various municipalities¹, tourism districts, and RPAs, as designated under the bill.

¹ Due to statutory limitations concerning the disclosure of tax returns, a town-by-town projection cannot be provided.

Funds segregated for distribution by DRS would be disbursed as follows:

DISTRIBUTION OF SEGREGATED HOTEL TAX REVENUE				
Recipient	% of Segregated Revenue	FY 12 Estimated	FY 13 Estimated	Distribution Process (Based on Town in Which Hotel is Located)
Municipalities	33.3%	\$3.15 million	\$6.58 million	Distributed by DRS
Tourism Districts	33.3%	\$3.15 million	\$6.58 million	Disbursed from the newly created Hotel Tax Account by OPM
Conforming Regional Planning Agencies	33.3%	\$3.15 million	\$6.58 million	Disbursed from the newly created Hotel Tax Account by OPM ²
TOTAL	100.0%	\$9.45 million	\$19.75 million	

The bill results in a one-time cost of \$45,000 to DRS in FY 12 to make changes to the Integrated Tax Administration System (ITAS) and the Taxpayer Service Center (TSC).

There is no fiscal impact to the Office of Policy and Management (OPM) to make the distributions from the newly created Hotel Tax Account as required by the bill.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

² Only Regional Planning Agencies that have conformed their boundaries to match a regional economic development district are eligible to receive these funds, otherwise the funds remain undistributed in the Hotel Tax Account.

OLR Bill Analysis**HB 5782*****AN ACT CONCERNING THE HOTEL TAX.*****SUMMARY:**

This bill increases the hotel occupancy tax, which the Department of Revenue Services (DRS) receives, from 12% to 15%. It requires DRS to segregate 20% of the taxes collected, distribute one-third to the municipality where the hotel collecting the tax is located, and deposit two-thirds into a hotel tax account, which the bill creates as a separate, nonlapsing General Fund account. For example, under current law, the tax on a \$100 hotel bill is \$12. Under the bill, the tax would be \$15 and 20% of that, \$3, would be segregated with \$1 going to the municipality where the hotel is located and \$2 deposited into the hotel tax account.

Annually, starting April 1, 2012, the bill requires the Office of Policy and Management (OPM) to distribute half of the money in the hotel tax account to the tourism district in which the hotel or lodging house that collected the tax is located. It must distribute the other half to each regional planning agency (RPA) where the hotel or lodging house that collected the tax is located, but only if the RPA has conformed its geographical boundaries to match a regional economic development district (REDD) that the governor designates under the law (the governor has not yet designated any districts). Funds apparently sit in the account until the RPAs conform with REDD boundaries.

The bill makes conforming and technical changes.

EFFECTIVE DATE: October 1, 2011, with the increased hotel tax rate applying to sales occurring on or after that date.

PLANNING REGIONS

Under current law, OPM must divide the state into planning regions; currently there are 15 designated regions (CGS § 16a-4a (4)). Current law additionally requires the OPM secretary, by January 1, 2012 and within available appropriations, to analyze planning regions' boundaries based on certain criteria, including urban centers' impact on neighboring towns, and change them if necessary. The bill instead requires OPM to designate eight regions. Under the bill, if the governor has designated a REDD, the secretary must designate or redesignate the planning region to be coterminous with the REDD. The bill ties funding to an RPA being coterminous with a REDD. Although not every municipality has an RPA in name, councils of government and councils of elected officials respectively replace or take on the powers of an RPA (CGS §§ 4-124l(c) and 4-124h).

By law, if the OPM secretary redesignates a region, he must inform the chief elected official of each municipality in the planning region in which the boundaries are proposed for redesignation. Under current law, a municipality's legislative body may petition to be moved into a different region. The bill prohibits OPM's secretary from moving a municipality located in a planning region that is coterminous with a REDD.

BACKGROUND

REDDS

The law allows regional planning and economic development organizations to propose REDDs that the governor designates, prepare strategies to develop them, and apply for state and federal economic development funds. The law specifies criteria for drawing district boundaries and procedures for preparing, reviewing, and approving strategies.

The law permits only eight REDDs to be established in the state. A proposed district's boundaries must encompass OPM-designated planning regions or, to the extent practicable, conform to county boundaries. Each district must include an area that meets economic distress criteria established in federal regulation (13 CFR § 301. 3(a)(1)).

The procedures require proposed districts and strategies to be approved by the Department of Economic and Community Development (DECD) commissioner and OPM's secretary. After these agencies approve a strategy, the district may submit it to the U.S. Department of Commerce for approval and apply for and receive federal funds (CGS § 32-743). (In practice, it appears only a few regions have brought forward this process, but not yet to the gubernatorial designation phase.)

Related Bill

On March 23, the Planning and Development Committee reported favorably HB 6100, An Act Concerning Regional Property Tax Sharing, which adds a property tax revenue sharing requirement to the comprehensive economic development strategy that a REDD board of directors must, by law, prepare and approve.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable

Yea 12 Nay 8 (03/25/2011)